



BUSINESS FINANCING PROGRAMS

Illinois Department of Commerce and Community Affairs

George H. Ryan
Governor

Pam McDonough
Director



Capital Access Program

The Capital Access Program (CAP) is designed to encourage lending institutions to make loans to new and small businesses that do not qualify for conventional financing. CAP is based on a portfolio insurance concept where the borrower and the Illinois Department of Commerce and Community Affairs (DCCA) each contribute a percentage of the loan amount into a reserve fund located at the lender's bank. This reserve fund enables the financial institution to make loans beyond its conventional risk threshold and is available to draw upon to recover losses on loans made under the program.

A CAP loan is a private market transaction between the lender and the borrower with all terms, fees, conditions, rates, collateral, etc. being determined by the lending bank. The borrower's non-refundable contribution to the reserve fund must be between 3 percent and 7 percent of the total loan amount. DCCA will provide a matching contribution. A 133 percent match to the borrower's contribution will be provided on the first \$2,000,000 in CAP loans enrolled at the lender bank. A higher match will be provided on loans made to minority/woman/disabled owned businesses (150 percent) and businesses located in a federally designated Empowerment Zone or Enterprise Community (200 percent). Loan proceeds cannot be used for debt refinancing or for financing passive real estate ownership.

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The Illinois Department of Commerce and Community Affairs (DCCA)

DCCA is the lead state agency responsible for improving the competitiveness of Illinois businesses in the global economy resulting in prosperous, growing industries, rising real incomes, and high quality jobs. DCCA provides information, assistance and advocacy to facilitate and advance the economic development process. Through the following financing programs, DCCA's Business Finance Division helps small businesses obtain financing through Illinois banks, development corporations, and other lending institutions for business start-up, expansion, and modernization efforts leading to a more productive and competitive business infrastructure.

Participation Loan Program

The Participation Loan Program provides credit enhanced financial assistance to Illinois small businesses that provide employment opportunities to Illinois citizens. Through banks, development corporations and other lenders, the Department of Commerce and Community Affairs (DCCA) can participate in business loans up to 25 percent of the total amount of a project, but not less than \$10,000 or more than \$750,000. DCCA's terms will typically match those of the participating financial institution in regard to interest rate and maturity. A 2 percent subordination fee will be charged on DCCA's portion of the financing and the loan maturity may not exceed 10 years.

Funds available through the program can be used for a number of business activities including the purchase of land and buildings, construction or renovation, purchase and installation of machinery and equipment, working capital, etc. Funds cannot be used for debt refinancing or contingency funding under this or any of DCCA's financing programs.

There are three derivatives of the Participation Loan Program

MINORITY, WOMEN AND DISABLED PARTICIPATION LOAN PROGRAM

A Minority, Women or Disabled business is a business which is at least 51 percent owned by one or more minority, women or disabled persons and the management and daily operations of the business are controlled by one or more of the minority, women or disabled persons who own it. Minority shall mean a person who is a citizen or lawful permanent resident of the United States and who is African-American, Hispanic, Asian-American, American-Indian or Alaskan Native. Disabled shall mean a person with a physical or mental impairment that substantially limits one or more of the major life activities of an individual.

Under the Minority, Women and Disabled Participation Loan Program, DCCA can participate in small business loans up to 50 percent of the total amount of the project, subject to a minimum of \$10,000 and a maximum of \$50,000. DCCA's interest rate will be the lender's rate less 1 percent. The subordination fee will be waived under this program.

DEVELOPMENT CORPORATION PARTICIPATION LOAN PROGRAM

Development Corporations provide financing to supplement commercial lending and support economic development. They may specialize in development and rehabilitation of commercial real estate, investment in or lending to businesses, or related activities. Development Corporations are most often public and bank sponsored and funded financial institutions. They serve as a source of supplemental business capital for small businesses whose credit requirements cannot be adequately served by conventional lending institutions.

Under the Development Corporation Participation Loan Program, DCCA's participation in a loan must be 50 percent or less of the Development Corporation's loan, not to exceed 25 percent of the total project or \$750,000 maximum. DCCA will generally share collateral positions with the Development Corporation and therefore subordination fees are not applicable under this program. The interest rate on DCCA's portion of the financing will be the Development Corporation's rate less 1 percent.

ENTERPRISE ZONE FINANCING PROGRAM

The Enterprise Zone Financing Program is designed to encourage businesses to locate within an Illinois Enterprise Zone. There are 88 Enterprise Zones designated statewide and 4 additional Enterprise Zones have been certified under the auspices of the Quad Cities Regional Economic Development Authority Act, the Southwestern Illinois Economic Development Authority Act, and the Upper Illinois River Valley Development Authority Act. The participation works the same as the PLP, but offers an incentive rate of 200 basis points below prime on DCCA's portion of the financing. In addition, there are fewer industry restrictions and the 2 percent subordination fee is waived under this program.



DCCA has designed these programs to encourage lenders, banks or development corporations to make loans that they otherwise would not make for a variety of reasons. All loan servicing, except some necessary reports, is handled by the local lender. The whole process is designed to be simple and efficient.

Any for-profit small business operating in the State of Illinois which has, including its affiliates, fewer than 500 full-time employees is eligible.

Each loan originated and submitted to DCCA for funding assistance must be in compliance with the following criteria:

The project for which loan funds will be used would not be undertaken unless the loan is provided.

DCCA's participation will cause a project to be undertaken which has the potential to create or retain substantial employment in Illinois or to modernize or improve the competitiveness of the borrower in relation to the amount of the loan.

The business project is a start-up, expansion or other new venture opportunity designed to improve the competitiveness of the company through modernization, and is not a relocation of an existing business from another site within the state of Illinois, unless that relocation results in substantial employment growth.

The borrower has demonstrated to the lender that it is ready to implement the project for which the loan is being made and that it has the financial ability to carry out the project.

The lender will be responsible for the review and approval of the loan contingent upon DCCA's participation, collateral, security and documentation, and for the verification of the information in the application. DCCA will review the information submitted by the lender for its decision on the participation request.

An applicant may apply for a loan through a bank, development corporation or other lender. The lender may then submit the application to DCCA for a participation. All information included with the original application will remain confidential consistent with the Small Business Development Act and the Illinois Freedom of Information Act.



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FOR MORE INFORMATION

Illinois Department of Commerce and Community Affairs

Business Finance Division

620 East Adams Street

Springfield, Illinois 62701

217/782-3891

TDD 217/785-6055

FAX 217/785-6328

Illinois Department of Commerce and Community Affairs

Business Finance Division

100 West Randolph, Suite 3-400

Chicago, Illinois 60601

312/814-2315

TDD 800/419-0667

FAX 312/814-2686

Illinois Department of Commerce and Community Affairs

Business Finance Division

2309 West Main, Suite 118

Marion, Illinois 62959

618/993-7270

TDD Relay 800/526-0844

FAX 618/997-1825

or

e-mail

bus_fin@commerce.state.il.us

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